

104TH CONGRESS  
1ST SESSION

# H. R. 6

To amend the Internal Revenue Code of 1986 to provide a tax credit for families, to reform the marriage penalty, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 1995

Mr. CRANE, Mr. NUSSLE, and Mr. SALMON (for themselves, Mr. ALLARD, Mr. ARMEY, Mr. BAKER of California, Mr. BAKER of Louisiana, Mr. BALLENGER, Mr. BARR, Mr. BARTLETT of Maryland, Mr. BARTON of Texas, Mr. BILIRAKIS, Mr. BLILEY, Mr. BLUTE, Mr. BONO, Mr. BUNNING of Kentucky, Mr. BURR, Mr. CALLAHAN, Mr. CALVERT, Mr. CAMP, Mr. CANADY of Florida, Mr. CREMEANS, Mr. CHRISTENSEN, Mr. CHRYSLER, Mr. COBURN, Mr. COOLEY, Mrs. CUBIN, Mr. CUNNINGHAM, Mr. DOOLITTLE, Mr. DORNAN, Ms. DUNN of Washington, Mr. EMERSON, Mr. ENGLISH of Pennsylvania, Mr. ENSIGN, Mr. EWING, Mr. FLANAGAN, Mr. FOLEY, Mrs. FOWLER, Mr. FORBES, Mr. FOX of Pennsylvania, Mr. FRISA, Mr. GANSKE, Mr. GILCHREST, Mr. GILMAN, Mr. GILLMOR, Mr. GOODLATTE, Mr. GOODLING, Mr. GREENWOOD, Mr. GUNDERSON, Mr. HANCOCK, Mr. HASTINGS of Washington, Mr. HAYWORTH, Mr. HEINEMAN, Mr. HERGER, Mr. HILLEARY, Mr. HOBSON, Mr. HOSTETTLER, Mr. HUTCHINSON, Mr. INGLIS of South Carolina, Mr. ISTOOK, Mrs. JOHNSON of Connecticut, Mr. JONES, Mr. KINGSTON, Mr. KNOLLENBERG, Mr. LARGENT, Mr. LATOURETTE, Mr. LATHAM, Mr. LEWIS of Kentucky, Mr. LIGHTFOOT, Mr. LINDER, Mr. LONGLEY, Mr. MCCOLLUM, Mr. MCHUGH, Mr. MCINTOSH, Mr. MICA, Mr. MILLER of Florida, Ms. MOLINARI, Mrs. MYRICK, Mr. PACKARD, Mr. RADANOVICH, Mr. RIGGS, Mr. ROTH, Mr. ROYCE, Mr. SAXTON, Mr. SENSENBRENNER, Mr. SHADEGG, Mr. SHAW, Mr. SHAYS, Mr. SMITH of New Jersey, Mr. SMITH of Michigan, Mr. SOLOMON, Mr. STEARNS, Mr. STOCKMAN, Mr. STUMP, Mr. TALENT, Mr. TATE, Mr. TAYLOR of North Carolina, Mr. THORNBERRY, Mr. THOMAS, Mr. TIAHRT, Mrs. WALDHOLTZ, Mr. WAMP, Mr. WELDON of Florida, Mr. WELLER, Mr. WICKER, Mr. ZIMMER, Mr. CRAPO, Mr. KOLBE, Mr. PAXON, Mr. YOUNG of Florida, Mr. BROWNBACK, Mr. WELDON of Pennsylvania, Mr. COMBEST, Mr. COBLE, Mr. EHRLICH, and Mrs. MEYERS of Kansas) introduced the following bill; which was referred to the Committee on Ways and Means

# A BILL

To amend the Internal Revenue Code of 1986 to provide a tax credit for families, to reform the marriage penalty, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “American Dream Restoration Act”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-  
7 wise expressly provided, whenever in this Act an amend-  
8 ment or repeal is expressed in terms of an amendment  
9 to, or repeal of, a section or other provision, the reference  
10 shall be considered to be made to a section or other provi-  
11 sion of the Internal Revenue Code of 1986.

12 **SEC. 2. FAMILY TAX CREDIT.**

13 (a) IN GENERAL.—Subpart C of part IV of sub-  
14 chapter A of chapter 1 (relating to refundable credits) is  
15 amended by redesignating section 35 as section 36 and  
16 by inserting after section 34 the following new section:

17 **“SEC. 35. FAMILY TAX CREDIT.**

18 “(a) ALLOWANCE OF CREDIT.—

19 “(1) IN GENERAL.—In the case of an eligible  
20 individual, there shall be allowed as a credit against  
21 the tax imposed by this subtitle for the taxable year

1 an amount equal to the amount described in para-  
2 graph (2) multiplied by the number of qualifying  
3 children of the taxpayer.

4 “(2) DESCRIPTION OF AMOUNT.—

5 “(A) IN GENERAL.—The amount described  
6 in this paragraph is an amount equal to \$500,  
7 reduced (but not below zero) by the applicable  
8 reduction amount.

9 “(B) APPLICABLE REDUCTION AMOUNT.—

10 For purposes of subparagraph (A), the term  
11 ‘applicable reduction amount’ means an amount  
12 which bears the same ratio to the amount appli-  
13 cable under subparagraph (A) as—

14 “(i) the excess (if any) of the tax-  
15 payer’s adjusted gross income over  
16 \$200,000, bears to

17 “(ii) \$50,000.

18 “(b) LIMITATION BASED ON AMOUNT OF TAX.—

19 “(1) IN GENERAL.—The credit allowed by sub-  
20 section (a) for the taxable year shall not exceed the  
21 excess (if any) of—

22 “(A) the sum of—

23 “(i) the tax imposed by this chapter  
24 for the taxable year (reduced by the credits

1           allowable against such tax other than the  
2           credits allowable under this subpart), and

3           “(ii) the taxpayer’s social security  
4           taxes for such taxable year, over

5           “(B) the credit allowed for the taxable year  
6           under section 32.

7           “(2) SOCIAL SECURITY TAXES.—For purposes  
8           of paragraph (1)—

9           “(A) IN GENERAL.—The term ‘social secu-  
10          rity taxes’ means, with respect to any taxpayer  
11          for any taxable year—

12               “(i) the amount of the taxes imposed  
13               by sections 3101, 3111, 3201(a), and  
14               3221(a) on amounts received by the tax-  
15               payer during the calendar year in which  
16               the taxable year begins,

17               “(ii) the taxes imposed by section  
18               1401 on the self-employment income of the  
19               taxpayer for the taxable year, and

20               “(iii) the taxes imposed by section  
21               3211(a)(1) on amounts received by the  
22               taxpayer during the calendar year in which  
23               the taxable year begins.

24           “(B) COORDINATION WITH SPECIAL RE-  
25          FUND OF SOCIAL SECURITY TAXES.—The term

1           ‘social security taxes’ shall not include any  
2           taxes to the extent the taxpayer is entitled to  
3           a special refund of such taxes under section  
4           6413(c).

5           “(C) SPECIAL RULE.—Any amounts paid  
6           pursuant to an agreement under section 3121(l)  
7           (relating to agreements entered into by Amer-  
8           ican employers with respect to foreign affiliates)  
9           which are equivalent to the taxes referred to in  
10          subparagraph (A)(i) shall be treated as taxes  
11          referred to in such subparagraph.

12          “(c) INFLATION ADJUSTMENTS.—

13                 “(1) IN GENERAL.—In the case of a taxable  
14          year beginning in a calendar year after 1996, the  
15          \$500 and \$200,000 amounts contained in subsection  
16          (a)(2) shall each be increased by an amount equal  
17          to—

18                         “(A) such dollar amount, multiplied by

19                         “(B) the cost-of-living adjustment deter-  
20          mined under section 1(f)(3) for the calendar  
21          year in which the taxable year begins, deter-  
22          mined by substituting ‘calendar year 1995’ for  
23          ‘calendar year 1992’ in subparagraph (B)  
24          thereof.

1           “(2) ROUNDING.—If any amount as adjusted  
2           under paragraph (1) is not a multiple of \$50, such  
3           amount shall be rounded to the nearest multiple of  
4           \$50.

5           “(d) DEFINITIONS AND SPECIAL RULES.—For pur-  
6           poses of this section—

7           “(1) ELIGIBLE INDIVIDUAL.—The term ‘eligible  
8           individual’ has the meaning given to such term by  
9           section 32(c)(1) (determined without regard to sub-  
10          paragraph (B) thereof).

11          “(2) QUALIFYING CHILD.—The term ‘qualifying  
12          child’ means an individual who—

13               “(A) is a qualifying child, within the mean-  
14               ing of section 32(c)(3) (determined without re-  
15               gard to subparagraph (E) thereof), and

16               “(B) has not attained the age of 18 as of  
17               the close of the calendar year in which the tax-  
18               able year of the taxpayer begins.

19          “(3) CERTAIN OTHER RULES APPLY.—Rules  
20          similar to the rules of subsections (d) and (e) of sec-  
21          tion 32 shall apply.”

22          (b) CONFORMING AMENDMENTS.—

23               (1) Paragraph (2) of section 1324(b) of title  
24               31, United States Code, is amended by inserting be-  
25               fore the period “, or from section 35 of such Code”.

1           (2) The table of sections for subpart C of part  
 2           IV of subchapter A of chapter 1 is amended by  
 3           striking the item relating to section 35 and inserting  
 4           the following new items:

          “Sec. 35. Family tax credit.

          “Sec. 36. Overpayments of tax.”

5           (c) EFFECTIVE DATE.—The amendments made by  
 6           this section shall apply to taxable years beginning after  
 7           December 31, 1995.

8           **SEC. 3. CREDIT TO REDUCE THE MARRIAGE PENALTY.**

9           (a) IN GENERAL.—Subpart A of part IV of sub-  
 10          chapter A of chapter 1 (relating to nonrefundable personal  
 11          credits) is amended by inserting after section 22 the fol-  
 12          lowing new section:

13          **“SEC. 23. REDUCTION OF MARRIAGE PENALTY.**

14          “(a) ALLOWANCE OF CREDIT.—In the case of a  
 15          qualified married couple, there shall be allowed as a credit  
 16          against the tax imposed by this chapter for the taxable  
 17          year an amount equal to the applicable dollar amount.

18          “(b) QUALIFIED MARRIED COUPLE.—For purposes  
 19          of this section, the term ‘qualified married couple’ means  
 20          a husband and wife who file a joint return for the taxable  
 21          year and who, but for this section, would be required to  
 22          pay more in income taxes under this subtitle because of  
 23          the fact that they were legally married during such taxable

1 year than they would be required to pay if they had not  
2 been married.

3 “(c) APPLICABLE DOLLAR AMOUNT.—For purposes  
4 of this section, the term ‘applicable dollar amount’ means,  
5 with respect to taxable years beginning in any calendar  
6 year, the amount which the Secretary estimates will result  
7 in a reduction in revenues to the Treasury for such taxable  
8 years of \$2,000,000,000. In no event may the applicable  
9 dollar amount with respect to any taxpayer exceed the  
10 marriage penalty that such taxpayer would be required to  
11 pay but for this section.”

12 (b) TABLE OF SECTIONS.—The table of sections for  
13 such subpart A is amended by inserting after the item re-  
14 lating to section 22 the following new item:

“Sec. 23. Reduction of marriage penalty.”

15 (c) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to taxable years beginning after  
17 the date of the enactment of this Act.

18 **SEC. 4. ESTABLISHMENT OF AMERICAN DREAM SAVINGS**  
19 **ACCOUNTS.**

20 (a) IN GENERAL.—Subpart A of part I of subchapter  
21 D of chapter 1 (relating to pension, profit-sharing, stock  
22 bonus plans, etc.) is amended by inserting after section  
23 408 the following new section:



1 **“SEC. 408A. AMERICAN DREAM SAVINGS ACCOUNTS.**

2 “(a) GENERAL RULE.—Except as provided in this  
3 section, an American Dream Savings Account shall be  
4 treated for purposes of this title in the same manner as  
5 an individual retirement plan.

6 “(b) AMERICAN DREAM SAVINGS ACCOUNT.—For  
7 purposes of this title, the term ‘American Dream Savings  
8 Account’ or ‘ADS account’ means an individual retirement  
9 plan which is designated at the time of the establishment  
10 of the plan as an American Dream Savings Account. Such  
11 designation shall be made in such manner as the Secretary  
12 may prescribe.

13 “(c) CONTRIBUTION RULES.—

14 “(1) NO DEDUCTION ALLOWED.—No deduction  
15 shall be allowed under section 219 for a contribution  
16 to an ADS account.

17 “(2) CONTRIBUTION LIMIT.—

18 “(A) IN GENERAL.—The aggregate  
19 amount of contributions (other than rollover  
20 contributions) for any taxable year to all ADS  
21 accounts maintained for the benefit of an indi-  
22 vidual shall not exceed the lesser of—

23 “(i) \$2,000, or

24 “(ii) an amount equal to the com-  
25 pensation includible in the individual’s  
26 gross income for such taxable year.

1           “(B) \$4,000 LIMITATION FOR CERTAIN AD-  
2           DITIONAL MARRIED INDIVIDUALS.—

3           “(i) IN GENERAL.—In the case of an  
4           individual to whom this subparagraph ap-  
5           plies for the taxable year, the limitation of  
6           subparagraph (A)(ii) shall be equal to the  
7           sum of—

8                   “(I) the compensation includible  
9                   in such individual’s gross income for  
10                  the taxable year, plus

11                  “(II) the compensation includible  
12                  in the gross income of such individ-  
13                  ual’s spouse for the taxable year re-  
14                  duced by the amount of the limitation  
15                  under subparagraph (A) applicable to  
16                  such spouse for such taxable year.

17           “(ii) INDIVIDUALS TO WHOM CLAUSE  
18           (i) APPLIES.—Clause (i) shall apply to any  
19           individual if—

20                   “(I) such individual files a joint  
21                   return for the taxable year, and

22                   “(II) the amount of compensa-  
23                   tion (if any) includible in such individ-  
24                   ual’s gross income for the taxable year  
25                   is less than the compensation includ-

1                   ible in the gross income of such indi-  
2                   vidual's spouse for the taxable year.

3                   “(C) ADJUSTMENT FOR INFLATION.—

4                   “(i) IN GENERAL.—In the case of a  
5                   taxable year beginning in a calendar year  
6                   after 1996, the \$2,000 amount contained  
7                   in subparagraph (A) shall be increased by  
8                   an amount equal to—

9                   “(I) such dollar amount, multi-  
10                  plied by

11                  “(II) the cost-of-living adjust-  
12                  ment under section 1(f)(3) for the cal-  
13                  endar year in which the taxable year  
14                  begins, determined by substituting  
15                  ‘calendar year 1995’ for ‘calendar  
16                  year 1992’ in subparagraph (B) there-  
17                  of.

18                  “(ii) ROUNDING.—If any amount as  
19                  adjusted under clause (i) is not a multiple  
20                  of \$50, such amount shall be rounded to  
21                  the nearest multiple of \$50.

22                  “(D) TAX ON EXCESS CONTRIBUTIONS.—  
23                  Section 4973 shall be applied separately with  
24                  respect to individual retirement plans which are  
25                  ADS accounts and individual retirement plans

1           which are not ADS accounts; except that, for  
2           purposes of applying such section with respect  
3           to individual retirement plans which are ADS  
4           accounts, excess contributions shall be consid-  
5           ered to be any amounts in excess of the limita-  
6           tion under subsection (c)(2)(A).

7           “(3) CONTRIBUTIONS PERMITTED AFTER AGE  
8           70<sup>1/2</sup>.—Contributions to an ADS account may be  
9           made even after the individual for whom the account  
10          is maintained has attained age 70<sup>1/2</sup>.

11          “(4) MANDATORY DISTRIBUTION RULES NOT  
12          TO APPLY, ETC.—Subsections (a)(6) and (b)(3) of  
13          section 408 (relating to required distributions) and  
14          section 4974 (relating to excise tax on certain accu-  
15          mulations in qualified retirement plans) shall not  
16          apply to any ADS account.

17          “(5) LIMITATIONS ON ROLLOVER CONTRIBU-  
18          TIONS.—No rollover contribution may be made to an  
19          ADS account unless—

20                 “(A) such contribution is from another  
21                 ADS account, or

22                 “(B) such contribution is from an individ-  
23                 ual retirement plan (other than an ADS ac-  
24                 count) and is made before January 1, 1998.

1       “(d) DISTRIBUTION RULES.—For purposes of this  
2 title—

3               “(1) IN GENERAL.—In the case of a qualified  
4 distribution from an ADS account—

5                       “(A) no portion of such distribution shall  
6 be includible in gross income, and

7                       “(B) section 72(t) shall not apply.

8               “(2) QUALIFIED DISTRIBUTION.—For purposes  
9 of this subsection—

10                       “(A) IN GENERAL.—The term ‘qualified  
11 distribution’ means any payment or distribu-  
12 tion—

13                               “(i) made on or after the date on  
14 which the individual attains age 59½,

15                               “(ii) made to a beneficiary (or to the  
16 estate of the individual) on or after the  
17 death of the individual,

18                               “(iii) attributable to the individual’s  
19 being disabled (within the meaning of sec-  
20 tion 72(m)(7)), or

21                               “(iv) which is a qualified special pur-  
22 pose distribution (within the meaning of  
23 subsection (e)).

1 “(B) DISTRIBUTIONS WITHIN 5 YEARS.—

2 No payment or distribution shall be treated as  
3 a qualified distribution if—

4 “(i) it is made within the 5-taxable  
5 year period beginning with the 1st taxable  
6 year in which the individual made a con-  
7 tribution to an ADS account (or such indi-  
8 vidual’s spouse made a contribution to an  
9 ADS account) established for such individ-  
10 ual, or

11 “(ii) in the case of a payment or dis-  
12 tribution properly allocable to a rollover  
13 contribution (or income allocable thereto),  
14 it is made within 5 years after the date on  
15 which such rollover contribution was made,  
16 as determined under regulations prescribed  
17 by the Secretary.

18 Clause (ii) shall not apply to a rollover con-  
19 tribution from an ADS account.

20 “(3) INCOME INCLUSION FOR ROLLOVERS FROM  
21 NON-ADS ACCOUNTS.—In the case of any amount  
22 paid or distributed out of an individual retirement  
23 plan (other than an ADS account) which is paid into  
24 an ADS account (established for the benefit of the  
25 payee or distributee, as the case may be) before the

1 close of the 60th day after the day on which the  
2 payment or distribution is received—

3 “(A) sections 72(t) and 408(d)(3) shall not  
4 apply, and

5 “(B) any amount required to be included  
6 in gross income by reason of this paragraph  
7 shall be so included ratably over the 4-taxable  
8 year period beginning with the taxable year in  
9 which the payment or distribution is made.

10 “(e) QUALIFIED SPECIAL PURPOSE DISTRIBUTION.—  
11

12 “(1) IN GENERAL.—For purposes of this sec-  
13 tion, the term ‘qualified special purpose distribution’  
14 means any payments or distributions to an individ-  
15 ual from an ADS account—

16 “(A) if such payments or distributions are  
17 qualified first-time homebuyer distributions, or

18 “(B) to the extent such payments or dis-  
19 tributions do not exceed—

20 “(i) the qualified higher education ex-  
21 penses of the taxpayer for the taxable year  
22 in which received, and

23 “(ii) the qualified medical expenses of  
24 the taxpayer for the taxable year in which  
25 received.

1       The term ‘qualified special purpose distribution’  
2       shall not include any payment or distribution to the  
3       extent such payment or distribution reduces the bal-  
4       ance of the amounts in ADS accounts of the tax-  
5       payer below \$1,000.

6               “(2) QUALIFIED FIRST-TIME HOMEBUYER DIS-  
7       TRIBUTIONS.—

8               “(A) IN GENERAL.—For purposes of this  
9       subsection, the term ‘qualified first-time home-  
10      buyer distribution’ means any payment or dis-  
11      tribution received by an individual to the extent  
12      such payment or distribution is used by the in-  
13      dividual before the close of the 60th day after  
14      the day on which such payment or distribution  
15      is received to pay qualified acquisition costs  
16      with respect to a principal residence for such  
17      individual as a first-time homebuyer.

18              “(B) QUALIFIED ACQUISITION COSTS.—  
19      For purposes of this paragraph, the term  
20      ‘qualified acquisition costs’ means the costs of  
21      acquiring, constructing, or reconstructing a res-  
22      idence. Such term includes any usual or reason-  
23      able settlement, financing, or other closing  
24      costs.



1           “(C) FIRST-TIME HOMEBUYER; OTHER  
2           DEFINITIONS.—For purposes of this para-  
3           graph—

4           “(i) FIRST-TIME HOMEBUYER.—The  
5           term ‘first-time homebuyer’ means any in-  
6           dividual if such individual (and, if married,  
7           such individual’s spouse) had no present  
8           ownership interest in a principal residence  
9           during the 3-year period ending on the  
10          date of acquisition of the principal resi-  
11          dence to which this paragraph applies.

12          “(ii) PRINCIPAL RESIDENCE.—The  
13          term ‘principal residence’ has the same  
14          meaning as when used in section 1034.

15          “(iii) DATE OF ACQUISITION.—The  
16          term ‘date of acquisition’ means the date—

17               “(I) on which a binding contract  
18               to acquire the principal residence to  
19               which subparagraph (A) applies is en-  
20               tered into, or

21               “(II) on which construction or re-  
22               construction of such a principal resi-  
23               dence is commenced.

24          “(D) SPECIAL RULE WHERE DELAY IN AC-  
25          QUISITION.—If any payment or distribution out

1 of an ADS account fails to meet the require-  
2 ments of subparagraph (A) solely by reason of  
3 a delay or cancellation of the purchase or con-  
4 struction of the residence, the amount of the  
5 payment or distribution may be contributed to  
6 an ADS account as provided in subsection  
7 (d)(3)(A)(i) of section 408 (determined by sub-  
8 stituting ‘120 days’ for ‘60 days’ in such sec-  
9 tion), except that—

10 “(i) subsection (d)(3)(B) of such sec-  
11 tion shall not be applied to such contribu-  
12 tion, and

13 “(ii) such amount shall not be taken  
14 into account in determining whether sub-  
15 section (d)(3)(A)(i) of such section applies  
16 to any other amount.

17 “(5) QUALIFIED HIGHER EDUCATION EX-  
18 PENSES.—For purposes of this subsection—

19 “(A) IN GENERAL.—The term ‘qualified  
20 higher education expenses’ means tuition, fees,  
21 books, supplies, and equipment required for the  
22 enrollment or attendance of—

23 “(i) the taxpayer,

24 “(ii) the taxpayer’s spouse, or

1           “(iii) the taxpayer’s child (as defined  
2           in section 151(c)(3)) or grandchild,  
3           at an eligible educational institution (as defined  
4           in section 135(c)(3)).

5           “(B) COORDINATION WITH SAVINGS BOND  
6           PROVISIONS.—The amount of qualified higher  
7           education expenses for any taxable year shall be  
8           reduced by any amount excludable from gross  
9           income under section 135.

10          “(6) QUALIFIED MEDICAL EXPENSES.—

11           “(A) IN GENERAL.—For purposes of this  
12           subsection, the term ‘qualified medical ex-  
13           penses’ means any amounts paid during the  
14           taxable year, not compensated for by insurance  
15           or otherwise, for medical care (as defined in  
16           section 213(d)) of the taxpayer, his spouse, or  
17           a dependent (as defined in section 152).

18           “(B) LONG-TERM CARE INSURANCE.—  
19           Such term includes premiums paid during the  
20           taxable year for any long-term care insurance  
21           contract for the benefit of the individual or  
22           such individual’s spouse.

23           “(C) LONG-TERM CARE INSURANCE CON-  
24           TRACT.—For purposes of subparagraph (B),

1 the term ‘long-term care insurance contract’  
2 means any insurance contract issued if—

3 “(i) the only insurance protection pro-  
4 vided under such contract is coverage of  
5 qualified long-term care services and bene-  
6 fits incidental to such coverage (as defined  
7 under regulations prescribed by the Sec-  
8 retary),

9 “(ii) the maximum benefit under the  
10 policy for expenses incurred for any day  
11 does not exceed \$200,

12 “(iii) such contract does not cover ex-  
13 penses incurred for services or items to the  
14 extent that such expenses are reimbursable  
15 under title XVIII of the Social Security  
16 Act or would be so reimbursable but for  
17 the application of a deductible or coinsur-  
18 ance amount,

19 “(iv) such contract is guaranteed re-  
20 newable,

21 “(v) such contract does not have any  
22 cash surrender value, and

23 “(vi) all refunds of premiums, and all  
24 policyholder dividends or similar amounts,  
25 under such contract are to be applied as a

1                   reduction in future premiums or to in-  
2                   crease future benefits.

3           “(f) OTHER DEFINITIONS.—For purposes of this sec-  
4   tion—

5                   “(1) ROLLOVER CONTRIBUTIONS.—The term  
6           ‘rollover contributions’ means contributions de-  
7           scribed in sections 402(c), 403(a)(4), 403(b)(8), and  
8           408(d)(3).

9                   “(2) COMPENSATION.—The term ‘compensa-  
10          tion’ has the meaning given such term by section  
11          219(f).”

12          (b) CONFORMING AMENDMENT.—The table of sec-  
13          tions for subpart A of part I of subchapter D of chapter  
14          1 is amended by inserting after the item relating to section  
15          408 the following new item:

                  “Sec. 408A. American dream savings accounts.”

16          (c) EFFECTIVE DATE.—The amendments made by  
17          this section shall apply to taxable years beginning after  
18          December 31, 1995.

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